

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-11 ISO-00 STRE-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 /104 W

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R 140800Z FEB 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 1141

INFO AMEMBASSY OTTAWA

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PASS STR FOR ACTION

PASS TREASURY FOR ASST SECRETARY MACDONALD

H PASS CODEL

E.O. 11652: N/A

TAGS: MTN ETRD

SUBJECT: WASHINGTON VISIT OF CANADIAN AMBASSADOR GREY

1. SAUMMARY. IN CONNECTION WITH THE FEB 19-20 WASHINGTON VISIT OF AMB GREY, HEAD OF CANADIAN MTN DELEGATION, THE FOLLOWING SUMMARY OF CANADIAN POSITIONS OF IMPORTANT MTN ISSUES IS PROVIDED, WITH SPECIAL EMPHASIS ON SUBSIDAY/COUNTERVAIL, THE TOPICS OF MOST CONCERN TO GREY. NO MAJOR SHIFTS IN CANADIAN VIEWS HAVE BEE NOTED; CANADA CONTINUES TO PLAY AN ACTIVE AND GENERALLY CONSTRUCTIVE ROLE IN THE NEGOTIATIONS.
END SUMMARY

2. SUBSIDY/COUNTERVAIL

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(A) THE PRINCIPAL REASON FOR GREY'S STOPOVER IN WASHING-

TON IS TO DISCUSS THE SUBSIDY/COUNTERVAIL ISSUE. ACTION IN THIS FIELD RANKS HIGH ON CANADA'S LIST OF MTN OBJECTIVES AND GREY'S LONG ASSOCIATION WITH THE PROBLEM HEIGHTENS THE CANADIAN INTEREST. GREY WILL BE EXPECTING AN IN-DEPTH EXCHANGE AS TO HOW PROGRESS IN THIS AREA CAN BE ACCELERATED. CANADA IS PRIMARILY INTERESTED IN TIGHTENING INTERNATIONAL RULES ON CVD BUT RECOGNIZES THIS SIMPLY NOT IN THE CARDS WITHOUT MOVEMENT TO MEET US INSISTENCE ON BETTER DISCIPLINE OVER SUBSIDY PRACTICES. GREY ACKNOWLEDGES THAT EXISTING GATT SUBSIDY RULES, ARE WEAK AND IS WILLING TO SEE THEM STRENGTHENED, BUT HAS A PARTICULAR HANG-UP WITH WHAT HE REGARDS AS EXCESSIVE (AND "UNACCEPTABLE") US DEMANDS FOR A WIDE AREA OF UNILATERAL INTERPRETATION, PARTICULARLY INJURY DETERMINATIONS. (WE HAVE RESPONDED TO THIS BY TURNING THE ISSUE AROUND--AS MACDONALD DID PRIVATELY WITH EC AND JAPAN IN NOVEMBER--AND ASKING WHAT IS IT FAIR FOR OTHERS TO HAVE RIGHT TO ADOPT SUBSIDY PRACTICES THAT UNILATERALLY UNDERMINE LEGISLATED LEVELS OF PROTECTION OF IMPORTING COUNTRIES INCLUDING NEGOTIATED, I.E. BOUND, LEVELS.)

(B) GREY IS DISSATISFIED WITH EC OUTLINE OF A DRAFT CVD CODE (HE WANTS POINT OF DEPARTURE FOR ANY NEGOTIATION TO START FROM A MORE PRECISE TEXT AND ONE WHICH TAKES ACCOUNT OF PROBLEMS OF INTERPRETATION ENCOUNTERED WITH ANTI-DUMPING CODE). GREY WISHES TO EXPLORE WASHINGTON RECEPTIVITY TO POSSIBLE CANADIAN SUBMISSION OF SUCH A TEXT. WE SUGGEST FOLLOWING RESPONSE: WE WANT PARALLEL PROGRESS ON SUBSIDY RULES AND WE WOULD THEREFORE BE UNABLE TO NEGOTIATE TEXT OF CVD IN ISOLATION; IF CANADA CONTEMPLATES DRAFT CODE COVERING BOTH SUBSIDIES AND CVD, WE WOULD WELCOME OPPORTUNITY TO CONSULT GOC ON ITS CONTENTS BEFORE CIRCULATION.

(C) GREY HAS BEEN RECEPTIVE TO FOLLOWING IDEAS CONTAINED IN US CONCEPTS PAPER THAT WASHINGTON AGENCIES MAY WISH TO DEVELOP MORE FULLY WITH HIM.

- (1) POSSIBLE DEFINITION OF EXPORT SUBSIDY
 - (2) STRICTER RULES ON EXPORT SUBSIDIES
 - (3) NEED FOR MORE EFFECTIVE RULES FOR THIRD COUNTRY SUBSIDIES
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- (4) NEED FOR RULES ON IMPORT REPLACEMENT SUBSIDIES

- (5) POSSIBLE SUPPLEMENTARY PROTOCOLS ON SPECIFIC PRACTICES

(D) OTHER TOPICS TO BE EXPLORED ON WHICH CANADIAN IDEAS DIFFER FROM US APPROACH INCLUDE:

- (1) LINE OF CVD RULES TO SUBSIDY RULES
- (2) UNILATERAL CVD ACTION

(3) ESTABLISHMENT OF LIST OF PERMITTED SUBSIDY PRACTICES

(4) BLANKET TREATMENT OF NON-EXPORT SUBSIDIES

(5) TREATMENT OF DEVELOPING COUNTRIES

(6) CVD AND ANTI-DUMPING PROVISIONS MAY BE MUTUALLY EXCLUSIVE

(7) MULTILATERAL SURVEILLANCE

3. TARIFFS: THE CANADIANS STILL APPEAR WILLING TO PARTICIPATE FULLY AS A TARIFF FORMULA COUNTRY BUT EMPHASISE THAT TO BE ACCEPTABLE THE FORMULA MUST BE RESPONSIVE TO CANADIAN NEEDS TO GAIN BETTER MARKET ACCESS FOR KEY IMPORTS. SINCE MANY OF THESE EXPORTS FALL IN THE LOWER TARIFF RANGES, CANADA IS STRONGLY OPPOSED TO ANY TARIFF FLOOR AND HAS REPEATEDLY ASSERTED THAT IT COULD NOT ACCEPT A FORMULA CONTAINING A FLOOR. THE TARIFF HYPOTHESIS ORIGINALLY SUGGESTED BY THE CANADIANS CONTAINED A LINEAR ELEMENT BUT WITH A PROPOSAL THAT HIGHER RATES BE REDUCED PROPORTIONALLY MORE THAN LOWER RATES. RATES/UNDER 5 PCT., HOWEVER, WERE TO BE COMPLETELY ELIMINATED. PRIVATELY, THE CANADIANS HAVE INDICATED THAT A LINEAR FORMULA MIGHT PRESENT PROBLEMS AND THEY ARE NOW LEANING MORE TO HARMONIZATION APPROACH BUT WITH AN ADDITIONAL PROVISION FOR SUBSTANTIAL REDUCTION OF LOW DUTIES. THEY ARE ALSO CONCERNED ABOUT THE PROSPECT OF AN OVERLY LONG EXCEPTIONS LIST AND MIGHT FAVOR SOME PERCENTAGE OF TRADE CUT-OFF FOR EXCEPTIONS.

4. SECTORS: CANADA HAS BEEN THE STRONGEST PROPONENT OF THE SECTOR APPROACH, VIEWING IT AS THE BEST MEANS OF ENSURING A REDUCTION OF TARIFF ESCALATION ON EXPORTS FROM RESOURCE-BASED SECTORS. THE CANADIANS ARE SKEPTICAL THAT THE ESCALATION PROBLEM CAN BE ADEQUATELY LIMITED OFFICIAL USE

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LY HANDLED BY A TARIFF FORMULA AND HAVE CALLED FOR PARALLEL PROGRESS IN THE SECTOR AND TARIFF GROUPS. AS A MEANS OF MOVING THE SECTOR TALKS ALONG, CANADA HAS TABLED A PROPOSAL ON COPPER AS AN EXAMPLE AS TO HOW SECTOR NEGOTIATIONS COULD PROCEED. THE CANADIAN PROPOSAL IS NOTABLE FOR ITS ONE-SIDED FOCUS ON MATTERS OF CONCERN TO CANADA AND ITS VAGUE FORMULATION OF MATTERS OF INTEREST TO OTHERS. IN RECENT DISCUSSIONS OF THE COPPER PROPOSAL, THE CANADIANS WERE MORE RELAXED IN THEIR APPROACH AND MORE WILLING TO ADMIT THE EXISTENCE OF SUBSTANTIAL DIFFICULTIES IN DEVELOPING A VIABLE PROPOSAL. THIS Milder, MORE CAUTIOUS APPROACH MIGHT SIGNAL DISAGREEMENTS IN OTTAWA AS TO HOW BEST TO HANDLE AN ISSUE WHICH IS HIGHLY CHARGED POLITICALLY FOR THE TRUDEAU GOVERNMENT, INVOLVING AS IT DOES THE FEDERAL-

PORVINCIAL ROLE IN NATURAL RESOURCE DEVELOPMENT. (GREY
WILL BE VISITING SOME PROVINCIAL CAPITALS PRIOR TO
WASHINGTON TLAKS.)

5. NONTARIFF MEASURES: ON QR'S THE CANADIANS DOUBT
THAT ANY GENERAL SOLUTION CAN BE FOUND AND FAVOR AN
ITEM-BY-ITEM BILATERAL APPROACH WHICH WILL ENABLE THEM
TO COME TO GRIPS WITH A FEW ISSUES ON WHICH THEY HOPE
TO CHANGE US PRACTICES, SUCH AS COPYRIGHT (MANU-
FACTURING CLAUSES). ON CUSTOMS MATTERS, WE ARE IN THE
SAME BOAT AS WITH THE CANADIANS AND HAVE BEEN COORDINATING
OUR POSITIONS ACCORDINLY. ON STANDARDS, THE CANADIANS
SHARE OUR VIEWS ON MOST KEY ISSUES AND WE HAVE CO-
ORDINATED CLOSELY WITH THEM. A BILATERAL WITH CANADA
ON STANDARDS IS BEING SCHEDULED FOR LATE MARCH -EARLY
APRIL.

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6. SAFEGUARDS: THE CANADIAN VIEWS REMAIN UNCHANGED,
FOCUSING ON BETTER PROCEDURAL APPLICATION OF ARTICLE
XIX AND POSSIBILITY OF SUPPLEMENTING THIS WITH SOME

KIND OF SURVEILLANCE MECHANISM. HOWEVER, THEY NOT RESISTING US SUGGESTIONS THAT OTHER GATT ARTICLES AND BROADER RANGE OF PROACTICES MIGHT NEED TO BE RESOLVED IN SAFEGUARDS NEGOTIATIONS. CANADA NOT PLANNING TO TABLE PROPOSAL ANY TIME SOON, BUT WOULD WELCOME SAME FROM US OR OTHERS. SPECIAL CONCERN IS US/CANADIAN BILATERAL SAFEGUARDS PROBLEMS (SEE 75 MENT GNEVA 8802) AND POSSIBILITIES FOR SOME BETTER ARRANGEMENTS ON THESE PROBLEMS, EITHER WITHIN OR APART FROM A GENERAL SAFEGUARDS ARRANGEMENT. GREY NOT LIKELY TO RAISE THIS SUGGESTION BUT WOULD PROBABLY APPRECIATE BEING BROUGHT UP TO DATE ON STATUS OF US PREPARATIONS.

7. SUPPLY ACCESS: THE CANADIANS DO NOT APPEAR EAGER TO COME TO GRIPS WITH THIS ISSUE, EVEN IN THE CONTEXT OF SECTOR NEGOTIATIONS WHERE THEIR COMMENTS HAVE BEEN VAGUE AND EVASIVE. THEY HAVE HOWEVER AGREED WITH THE LIMITED OFFICIAL USE

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US IDEA TO NOTIFY EXPORT RESTRICTIONS TO GATT NTM INVENTORY.

8. GATT REFORM: CANADA, WHILE NOT PRESSING THIS GENERAL SUBJECT, IS HIGHLY RECEPTIVE TO IMPROVEMENT OF BOP REVIEW PROCEDURES AND UNDERLYING GATT PROVISIONS. THEY, LIKE USG, PREFER PUSHING THIS IN G-18 FOR TIME BEING AND HAVE DEVOTED CONSIDERABLE EFFORT IN OTTAWA TO CREATING DETAILED STATEMENT CANADIAN VIEWS. THEY ARE AS LEARY AS WE ARE ABOUT BRAZILIAN GATT REFORM PROPOSAL, FEARING STERILE N-S CONFRONTATION. THE OTHER MAIN "GATT REFORM" ITEM OF CANADIAN INTEREST IS DECISION-MAKING/CONSULTATION/DISPUTE SETTLEMENT PROCEDURES, WHERE CANADA SEEMS TO BE WORKING ALONG THE SAME LINES AS US, I.E., A BASIC MODEL WHICH CAN BE ADAPTED TO VARIOUS NTB AND OTHER CODES. MAJOR DIFFERENCE FROM US APPROACH DEVELOPED IN INTER-AGENCY 121 GROUP SEEMS TO BE CANADIAN HOSTILITY TO IDEA OF "PERMANENT SUBCOMMITTEE" (STEERING GROUP) AND OPPOSITION TO SEPARATING OF FACT-FINDING PROCESS IN DISPUTE SETTLEMENT FROM JUDGEMENT ON APPROPRIATE ACTION.

9. AGRICULTURE:

CANADA HAS NOT TAKEN AN ACTIVE ROLE IN THE PROCEDURAL BATTLES BETWEEN THE US AND THE EC, PREFERRING TO WAIT AND TRY TO MAKE THE BEST OF WHATEVER SOLUTION MIGHT BE REACHED. CANADA HAS FELT THAT THE BEST PROCEDURE IS SIMPLY TO BEGIN TALKS AND DEAL WITH SUBSTANTIVE ISSUES ON A PRAGMATIC BASIS. FOR THIS REASON, CANADA SUPPORTED THE SUGGESTION BY THE CHAIRMAN OF THE TNC AT THE DECEMBER MEETING AS WELL

AS THE WORK PROGRAM CONSEQUENTLY ESTABLISHED BY GROUP AGRICULTURE FOR BILATERAL NOTIFICATIONS AND CONSULTATIONS ON PRODUCTS OTHER THAN THOSE IN THE THREE AGRICULTURAL SUBGROUPS.

CANADIAN INTEREST IN--BUT NOT NECESSARILY THE MEANS TO ACHIEVE--FURTHER AGRICULTURE TRADE LIBERALIZATION IS VERY SIMILAR TO OUR OWN AS BENEFITING A MAJOR NET EXPORTER. WE BOTH PLACE HIGH PRIORITY ON MARKET ACCESS, I.E. REDUCING TRADE BARRIERS, AND INTRODUCING INTERNATIONAL DISCIPLINE ON EXPORT SUBSIDIES. HOWEVER, LIMITED OFFICIAL USE

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UNLIKE THE US, CANADA SEES A NEED FOR SOME INTERNATIONAL PRICE DISCIPLINE WITH RESPECT TO MAJOR COMMODITIES AND WOULD CONSIDER SOME FORM OF INTERNATIONAL COMMODITY ARRANGEMENT AS A MEANS TO HIGHER AND MORE STABLE WORLD PRICES.

10. TROPICAL PRODUCTS: CANADA'S TROPICAL PRODUCTS OFFER IS EXPECTED TO BE LARGELY GSO CONCESSIONS, INCLUDING A NUMBER OF ITEMS SUCH AS ORANGE JUICE IN WHICH THE US HAS A TRADE INTEREST IN THE CANADIAN MARKET. THUS WE MAY HAVE THE SAME PROBLEM WITH CANADA AS WE EXPECT WITH THE EC, BUT IN A LESS ACUTE FORM. WALKER

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